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## CABINET AFFAIRS STAFFING MEMORANDUM

Date: 6/4/84 Number: \_\_\_\_\_ Due By: \_\_\_\_\_

Subject: Cabinet Council on Commerce and Trades - Minutes

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CEA	<input type="checkbox"/>	<input checked="" type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	James Chapman	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>	McFarlane	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>	Svahn	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Energy	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input checked="" type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/	<input type="checkbox"/>	<input checked="" type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Simmons	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input checked="" type="checkbox"/>
			CCMA/Bledsoe	<input type="checkbox"/>	<input checked="" type="checkbox"/>
			CCNRE/	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## REMARKS:

Attached for your information are the minutes of the following Cabinet Council on Commerce and Trade meetings:

July 12, 1983

December 16, 1983

May 2, 1984

DCI  
EXEC  
REG

## RETURN TO:

☐ Craig L. Fuller  
Assistant to the President  
for Cabinet Affairs  
456-2823

☐ Katherine Anderson  
☐ Tom Gibson  
☐ Don Clarey  
☒ Larry Herbolzheimer  
Associate Director  
Office of Cabinet Affairs  
456-2800

L-300C

MINUTES  
CABINET COUNCIL ON COMMERCE AND TRADE  
Meeting #66, July 12, 1983  
2:30 p.m., Cabinet Room

Attendees: The President, The Vice President, Messrs. Baldrige, Smith, Hodel, Bell, Meese, Harper, Feldstein, Dam, McNamar, Thayer, Knapp, Lighthizer, Darman, Fuller, Rollins, Verstandig, Gunn, Vipond, Cribb, Khedouri, Lyng, Ford, Bentley, Swain, Packard, and Ms. Heckler and Ms. Dunlop

Federal Laboratory Review Panel

At the request of Jay Keyworth, Presidential Science Advisor, a panel of the White House Science Council reviewed the federal R&D laboratories. The panel was chaired by David Packard of Hewlett-Packard, included Dr. John Bardeen of the University of Illinois, Dr. Allan Bromley of Yale University, Dr. Donald Fredrickson of the Howard Hughes Medical Institute, Dr. Arthur Kerman of the Massachusetts Institute of Technology, Dr. Edward Teller of the Hoover Institution, and Dr. Albert Wheelon of Hughes Aircraft.

The panel visited sixteen R&D laboratories in Agriculture, Commerce, Defense, Energy, Health and Human Services and National Aeronautics and Space Administration. They selected these laboratories because they are large and have a wide variety of research programs. The visits were conducted between June and December 1982. They also spoke with representatives in the parent agencies responsible for these laboratories. They reviewed past and recent studies conducted by others on federal laboratories. The panel sought answers to two questions:

1. Is the Federal government getting the optimum return on its investment in the federal laboratories?
2. What are the impediments to the performance in terms of quality and productivity?

David Packard presented the conclusions and recommendations of the panel to the Council. The basic conclusions were as follows:

- o Many federal laboratories suffer from unclear missions. Original missions have been accomplished or have become less important.
- o Concern about alternate energy research has diverted labs from main mission.
- o DoD labs have overlapped missions because of service overlap. Army, Navy and Air Force labs with clear missions are good performers.

The Panel's recommendations were:

- o The size of federal laboratories should be determined by the importance of its mission and the quality of its work.
- o The federal laboratories should be held more accountable for the quality and productivity of their R&D. A more effective oversight function should be established.

Action Taken: The President charged the Office of Science and Technology Policy with implementing the central trust of the Science Council's report on federal labs. He also ordered the preparation of a memorandum to agency heads notifying them of the initiative.

MINUTES  
CABINET COUNCIL ON COMMERCE AND TRADE  
Meeting #80, December 16, 1983  
12:00 noon, Cabinet Room

Attendees: The President, Vice President, Messrs. Regan, Block, Baldrige, Donovan, Brock, Feldstein, Meese, Baker, Svahn, Dam, Wright, Darman, Fuller, Oglesby, Speakes, Gunn, Olmer, Smith, and Poindexter

Textiles

Ambassador Brock led a discussion of the current situation in the U.S. textile and apparel industry and requests by their Congressional representatives for new Administration action to restrict textile and apparel imports. The domestic industry, in exchange for dropping its countervailing duty (CVD) petition against imports from the People's Republic of China (PRC), had asked that the Administration establish new criteria for determining market disruption and, hence, making calls on imported products. Specifically, they requested that calls be made on any product from growing low-wage supplier when the total growth in imports of that product is more than 30 percent over the most recent year ending, or when such growth would cause an import-to-domestic-production ratio greater than 20 percent. (Other provisions in their proposal are shown in the attachment to these minutes.)

Ambassador Brock suggested that the automatic presumption of market disruption that would be created by the proposal would violate the MFA and our current bilateral textile agreements. He also noted that it would hurt Caribbean nations, poor countries, and, importantly, the PRC itself. He recommended that the Administration take thirty days to clarify the criteria and test the proposal on major suppliers to ascertain its legality. He noted that the industry in 1980 wanted the MFA renegotiated and that this occurred. Furthermore, he noted, the industry participated and supported the effort and the agreements were indeed tightened. The problem was that the agreements limited specific products, which simply gave rise to creativity on the part of importers, who created new products (e.g., sleeves, panels, and collars instead of jackets). He also noted that Canada and the EC are excluded from apparel import restrictions, in accordance with the industry's wishes, because they are major purchasers of U.S. textiles. Yet their numbers are included in total imports for argument purposes and account for some 25 percent of the surge in imports. Ambassador Brock also noted that 1983 profits in the industry were expected to be up more than 80 percent, domestic mill consumption up 20 percent, and employment was growing.

The discussion then shifted to the suspended CVD case and the question of whether or not any unfair trade practices were

evident on the part of the PRC. Under Secretary Olmer noted that the PRC is a non-market economy, making such a determination difficult. Secretary Baldrige, while cautioning about discussion of the case, added that in such cases, Commerce must use the "best available evidence". Furthermore, since the PRC will not cooperate in supplying information, the "best available evidence" might be that supplied by the petitioners. In any case, it was noted that the PRC would probably not like either a positive CVD finding or the implementation of the industry's proposal.

Other important points made in the discussion were: (1) the U.S. must keep its markets open so that debtor nations can pay their debts (Regan); (2) the industry is driving too hard a bargain; their proposal is probably a net job loser for the U.S. (Donovan); (3) the industry proposal is blackmail; also, there is no guarantee it will work (Dam); and (4) a bad precedent will be set for other industries (Wright).

Ed Meese and Jim Baker noted that although the majority seemed to be against the proposal and would rather study it for various reasons, the President made a commitment on September 30, 1980. They further noted that the Administration has an obligation to do its best to keep that commitment.

Action Taken: The President directed the interested parties to work with Commerce to finalize the criteria for new calls, starting with the industry proposal, but exempting individual supplier countries whose imports constitute no more than 1 percent of U.S. production in that particular product or category. The work was to be completed the same day and announced to the public. (The final product is attached.)

ATTACHMENT

CRITERIA

CITA will issue calls, which limit imports, on growing low-wage suppliers in any product or category when total growth in imports in that product or category is more than 30 percent in the most recent year ending or the total growth in imports would lead to an import to domestic production ratio of 20 percent or more. These calls will be made on any growing low-wage supplier when imports from any such supplier reach the greater of 1 percent of total imports or the minimum consultation level in that product or category.

The Government will issue calls, which limit imports, on growing low-wage suppliers in any product or category already import impacted, that is, in which imports exceed 20 percent of U.S. production in that category. In taking these actions, the Government will call all growing low-wage suppliers that have greater than the higher of the minimum consultation level or 1 percent of total imports in any category.

With respect to Hong Kong, Taiwan and Korea, E-system calls on each supplier will be made on any product or category when E's issued in that particular product or category reaches 65 percent of the Maximum Formula Level (MFL), and in the opinion of the Chairman of CITA would exceed the MFL if not called, and is in a category with an import to production (I/P) ratio of 20 percent or more, or total imports or anticipated total imports would increase the IP.

THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release

December 16, 1983

STATEMENT BY THE PRINCIPAL DEPUTY PRESS SECRETARY

To address the textile and apparel industry's concerns with respect to U.S. textile trade policy and procedures, the Administration will:

Utilize additional criteria for addressing import increases in categories not presently controlled which, if met, will establish a presumption of market disruption or threat thereof. This will be done to ensure that appropriate action regarding market disruption is taken on a more timely and predictable basis. However, if market disruption or threat thereof is not demonstrated, quotas will not be imposed.

The additional criteria which will be used and which raise a presumption of market disruption or threat thereof are:

1. Total growth in imports in that product or category is more than 30 percent in the most recent year, or the ratio of total imports to domestic production in that product or category is 20 percent or more; and
2. Imports from the individual supplier equal 1 percent or more of the total U.S. production of that product or category.

With respect to countries with which we have Export Authorization Arrangements, E-system calls on each supplier will be made on any product or category when export authorizations issued in that particular product or category reach 65 percent of the Minimum Formula Level (MFL), and in the opinion of the Chairman of the Committee for the Implementation of Textile Agreements (CITA) would exceed the MFL if not called, and is in a category with an import to production (I/P) ratio of 20 percent or more, or in categories in which there is a 30 percent or greater increase.

Once any category is restricted after consultations under the textile import program, the Committee for the Implementation of Textile Agreements (CITA) shall take action to ensure that it shall under ordinary circumstances, remain under control for the life of the bilateral agreement that governs our textile relations with the called country.

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MINUTES  
CABINET COUNCIL ON COMMERCE AND TRADE  
Meeting #85, May 2, 1984  
10:00 a.m., Roosevelt Room

Attendees: Messrs. Baldrige, Block, Svahn, McNamar, Ford, Burnley, Wright, Lighthizer, Niskanen, McCormack, McGrath, Holmer, Cicconi, Herbolsheimer, Neal, Platt, Ms. Risque and Ms. Chao

Trade Law Revision

Alan Holmer, Deputy Assistant Secretary of Commerce, presented a legislative update on H.R. 4784, the Trade Remedies Reform Act of 1984. The bill is expected to go to the House floor before Memorial Day and passage with Administration-opposed portions intact appears likely. While Senator Danforth is not enthusiastic about this bill, Senators Chafee, Heinz, and Mitchell are pushing for floor action this year. The bill contains the following three highly objectionable provisions:

- o Industrial targeting. This provision would amend the countervailing duty law to cover so-called "export targeting practice."

The bill's definition of targeting is so broad as to include legitimate forms of government behavior and even many programs of the United States government. Rather than address targeting through the CVD law, the Council believes that it should be addressed through the GATT, through U.S. diplomacy and possibly under Section 301 of the Trade Act of 1974.

- o Natural Resource Subsidies. This provision would amend the countervailing duty law to state that a natural resource subsidy would exist whenever a government sells a natural resource product to domestic industries at a price below the export price or the fair market value.

This provision constitutes a fundamental departure from longstanding U.S. and international practice on the definition of countervailing subsidies. If the U.S. took such a unilateral position, there is a serious risk of retaliation against U.S. exports. In the petrochemical sector, U.S. firms have significant investments in foreign countries with abundant hydrocarbon natural resources. To deny these firms access to the U.S. market for goods they produce in these foreign countries raises questions on the fairness and consistency of U.S. investment policies. Under this provisions, developing countries with abundant natural resources are unfairly prevented from capitalizing on their comparative advantage. Finally, this provision is an intrusion into the sovereign affairs of foreign nations.



- o Downstream Dumping. As defined in the bill, downstream dumping occurs when a product subject to an antidumping or countervailing duty investigation incorporates materials or components which were themselves sold at less than the purchase price in the country where they were manufactured or at less than the cost of production.

This provision, by making such practices subject to anti-dumping duties, violates GATT and is inconsistent with the theory of dumping. There is also the serious potential for unfairness as purchasers usually cannot tell if an item or component is being dumped. Finally, the enactment of mirror legislation by foreign countries would pose a serious threat to U.S. companies.

Secretary Baldrige stressed the importance of a concerted Administration effort to oppose the bill, especially from DoC, USTR, DoS, and DoA. Suggestions were also made for involving industry groups that would be adversely affected by these provisions.

#### Non-market Economies

Mr. Holmer also elaborated on the reasons for the Department of Commerce's announcement that countervailing duty laws are not applicable to non-market economies. In the absence of market forces, it is difficult to identify distortions. The Council requested that the working group develop detailed guidelines and recommendations for modifying current legislation.

#### Tobacco Imports

Secretary Block alerted the Council that a decision must soon be made to respond to the industry's push to limit tobacco imports.